

DRAGONTAIL RECEIVES COMMITMENT FROM ALCEON FOR 2ND STAGE OF STRATEGIC FUNDING CONCLUDING THE A\$19.25M FUND RAISING

Highlights

- Alceon to subscribe for additional Convertible Preference Shares to raise A\$2.0M.
- Funding is the second and final component of the two stage strategic agreement announced on 23 March 2020 totaling A\$19.25M, of which A\$12.0M was received in Stage 1.
- Alceon's commitment to take up their Stage 2 entitlement concludes the A\$19.25M fund raising and follows the recent A\$5.25M commitment from Eldridge Industries, a US-based holding company.
- Funding demonstrates investors' support in the Company's vision and will strengthen Dragontail's ability to rollout further store installations and bring to market innovative projects in its pipeline.

5 February 2021: Dragontail Systems Limited (ASX: DTS, the "Company" or "Dragontail"), bringing process efficiency and improving customer satisfaction through its Algo SaaS platform and QT AI camera system to the Quick Service Restaurant (QSR) and foodservice industry, is pleased to announce that Alceon have executed their option to subscribe for additional Convertible Preference Shares under the two stage strategic funding agreement announced on 23 March 2020.

Dragontail will receive a further A\$2M from Alceon from this second and final stage of the fundraising, which has resulted in the Company raising the full A\$19.25M contemplated under the agreement.

This follows the Stage 2 investment by Eldridge which was approved by shareholders earlier in the week and is expected to be completed shortly.

Adam Ritter, Portfolio Manager of the Alceon High Conviction Fund, commented: *"We are very pleased to complete the final stage of this strategic fundraising which will provide Dragontail with additional capital to capitalize on its substantial pipeline of opportunities. To fund our commitment, and to facilitate the entry of a global institutional investor onto the share register, we have sold a portion of our pre-existing ordinary shareholding and will cease to be a substantial shareholder of ordinary shares. Overall though, we have increased our holding in Dragontail as a result of these transactions and remain very excited about the prospects for the Company."*

Transaction summary

A binding subscription agreement for A\$19.25M Convertible Preference Shares was announced on 23 March 2020, consisting of 2 stages:

- Stage 1 – A\$12.0M: Eldridge A\$5.25M, Goudy Park Capital LP A\$4.75m, Alceon A\$2.0M
- Stage 2 – A\$7.25M: Eldridge A\$5.25M, Alceon A\$2.0M
- Preference Shares at an issue price of A\$0.13

Stage 1 funds were partially used to fully repay an existing A\$4.3M corporate loan with Alceon and a US\$2.0 bridge loan provided by Eldridge, positioning the Company debt free.

Under stage 2 of the strategic funding by Alceon, the Company will issue a further 15,384,616 convertible preference shares at an issue price of A\$0.13 per share. The issue of shares is subject to shareholder approval which will be sought at a General Meeting to be convened.

The terms of the convertible preference shares were summarized in the Company's Notice of General Meeting dated 28 April 2020, under which stage 1 of the funding was approved.

This ASX Announcement was approved and authorised by Dragontail's Managing Director.

Ido Levanon, CEO
P: +61 3 9010 5759

Glen Zurcher, Investor Relations
P: +61 420 249 299 / glen@viriair.com

About Dragontail Systems

Dragontail is revolutionising the Quick Service Restaurant (QSR) and foodservice industry with its core technology offering being its patented **Algo Platform** and **QT AI camera system**, sold under a cloud-based monthly subscription-based Software-as-a-Service (SaaS) revenue model which results in time and cost savings, and improved customer satisfaction through:

- Optimising and managing kitchen process task flow and timing from order to delivery
- Checking food quality and consistency
- Providing customers visibility over their food orders
- Acting as a valuable training tool for staff
- Controlling for food hygiene and sanitisation
- Managing driver activities leading to increased efficiency

The **Algo Platform** is the first system in the world to fully automate and streamline the kitchen flow to deliver an immediate and significant return on investment to fast food and quick service restaurants. The Algo integrates into a QSR's point of sale (POS) system.

The **QT AI camera** system's sensor and camera automatically monitor the preparation and cooking process in the kitchen. Using proprietary patented advanced AI machine-learning technology, the system keeps improving its diagnostics, becoming even more efficient. The QT has been upgraded in 2020 for hygiene and sanitisation checking. Dragontail's offering consists of:

1. **Total Technology solution:** Algo Platform + POS + online ordering developed by Dragontail in partnership, resulting in a full and ready integration).
2. **Algo Platform or full Algo:** Ready to integrate into an existing QSR POS system, managing the entire food preparation process from order to delivery.
3. **Algo Lite:** A delivery module – driver tracking and order aggregation. A QSR may begin with this system and migrate across to the full Algo over time.
4. **QT AI camera quality system 'pizza checker':** Proprietary developed camera hardware and software used to quality control food preparation.

Dragontail is rolling out its technology globally and has signed contracts with leading QSR franchisors and franchisees including key contracts with Yum! Brands, TelePizza and household names like Dominos, Pizza Hut and KFC.

Collaborations: Developing relationships with Aggregators (third party delivery operators) to the QSR sector have been identified as integral to Dragontail's growth strategy. Collaborations now cover all leading operators globally (including Deliveroo, DoorDash, Grab and FOOD PANDA) which have been readied with integrations between the Algo Platform and Aggregators' technology systems, now being largely complete.

Dragontail has worked for some time with point of sale (POS) operators to the QSR sector and has formed strong compatibility with a number of their systems. In addition, Dragontail has developed its own fully POS aligned offering found in its Total Technology solution product, under a joint venture. This product has a significantly stronger revenue model over Dragontail's other product lines and is positioned to support QSRs who are wanting a ready to go fully integrated system. In addition, Dragontail announced a number of collaborations in late 2020 in the areas of drone food delivery (Israel) and food trucks (US).

For more information, visit www.dragontail.com.